



ANNUAL STATEMENT

For the Year Ended December 31, 2012
of the Condition and Affairs of the

Blue Care Network of Michigan

NAIC Group Code.....572, 572
(Current Period) (Prior Period)

Organized under the Laws of Michigan

Licensed as Business Type.....Health Maintenance Organization

Incorporated/Organized..... May 6, 1981

Statutory Home Office

Main Administrative Office

Mail Address

Primary Location of Books and Records

Internet Web Site Address

Statutory Statement Contact

NAIC Company Code..... 95610

State of Domicile or Port of Entry Michigan

Is HMO Federally Qualified? Yes [X] No []

Commenced Business..... May 13, 1981

20500 Civic Center Drive .. Southfield MI US 48076
(Street and Number) (City or Town, State, Country and Zip Code)

20500 Civic Center Drive .. Southfield MI US 48076
(Street and Number) (City or Town, State, Country and Zip Code)

20500 Civic Center Drive .. Southfield MI US 48076
(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)

20500 Civic Center Drive .. Southfield MI US 48076
(Street and Number) (City or Town, State, Country and Zip Code)

www.BCBSM.com

Joseph John Andraska
(Name)

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(E-Mail Address)

Employer's ID Number..... 38-2359234

Country of Domicile US

248-799-6400
(Area Code) (Telephone Number)

248-455-3428
(Area Code) (Telephone Number)

248-455-3428
(Area Code) (Telephone Number) (Extension)

877-350-3408
(Fax Number)

OFFICERS

Name	Title	Name	Title
1. Kevin James Klobucar	President & Chief Executive Officer	2. Julie Concetta Swantek	Secretary
3. Susan Anne Kluge	Chief Financial Officer & Treasurer	4. Marc Darryl Keshishian MD	Chief Medical Officer

OTHER

DIRECTORS OR TRUSTEES

Kedrick David Adkins	Julie Anne Angott	Mark Robert Bartlett	William Harrison Black
James Robert Dietz	Shauna Ryder Diggs MD	Sarah Winston Doyle	Janet Louise Harden
DeMerritte Bonta Hiscoe MD	Valeriah Ann Holmon	Teola Pearl Hunter	Gerald Kariem
Robert Paul Kelch MD	Kevin James Klobucar	Melvin Lyle Larsen	Barry Eugene Newcomb
Gregory Alan Sudderth	Diana Lynn Watson		

State of..... Michigan
County of..... Oakland

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Kevin James Klobucar	(Signature) Julie Concetta Swantek	(Signature) Susan Anne Kluge
1. (Printed Name) President & Chief Executive Officer	2. (Printed Name) Secretary	3. (Printed Name) Chief Financial Officer & Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This _____ day of _____ 2013

a. Is this an original filing? Yes [X] No []
b. If no
1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	643,761,916		643,761,916	489,423,325
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	436,100		436,100	
2.2 Common stocks.....	27,461,238		27,461,238	15,243,629
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....(2,063,871), Schedule E-Part 1), cash equivalents (\$....44,756,303, Schedule E-Part 2) and short-term investments (\$....625,581,248, Schedule DA).....	668,273,680		668,273,680	570,864,141
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....	114,752,328		114,752,328	106,164,483
9. Receivables for securities.....			0	1,141,362
10. Securities lending reinvested collateral assets (Schedule DL).....			0	
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	1,454,685,262	0	1,454,685,262	1,182,836,940
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	13,662,397		13,662,397	13,695,755
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	20,996,374	20,029	20,976,345	36,218,153
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
15.3 Accrued retrospective premiums.....			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....			0	
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....			0	
17. Amounts receivable relating to uninsured plans.....	3,694,731		3,694,731	1,442,047
18.1 Current federal and foreign income tax recoverable and interest thereon.....	121,270		121,270	
18.2 Net deferred tax asset.....			0	
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....	6,586,791	6,548,575	38,216	11,928
21. Furniture and equipment, including health care delivery assets (\$.....0).....	2,212,290	2,212,290	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	54,998,463		54,998,463	41,553,046
24. Health care (\$.....18,557,653) and other amounts receivable.....	20,751,535	2,193,882	18,557,653	14,449,230
25. Aggregate write-ins for other than invested assets.....	2,310,809	1,173,662	1,137,147	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	1,580,019,922	12,148,438	1,567,871,484	1,290,207,099
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	1,580,019,922	12,148,438	1,567,871,484	1,290,207,099

DETAILS OF WRITE-INS				
1101.			0	
1102.			0	
1103.			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Prepaid expenses.....	1,171,796	1,171,796	0	
2502. Other Accounts Receivable.....	1,139,013	1,866	1,137,147	
2503.			0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	2,310,809	1,173,662	1,137,147	0

Blue Care Network of Michigan
LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....19,380,109 reinsurance ceded).....	241,501,927	9,264,134	250,766,061	259,068,230
2. Accrued medical incentive pool and bonus amounts.....	67,944,345		67,944,345	72,326,542
3. Unpaid claims adjustment expenses.....	8,248,713		8,248,713	8,036,861
4. Aggregate health policy reserves, including the liability of \$.....6,164,903 for medical loss ratio rebate per the Public Health Service Act.....	9,012,182		9,012,182	5,750,700
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....	49,154,866		49,154,866	42,533,384
9. General expenses due or accrued.....	25,122,021		25,122,021	23,561,387
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	5,326
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....	2,949,305		2,949,305	3,013,229
12. Amounts withheld or retained for the account of others.....	19,777,616		19,777,616	803,766
13. Remittances and items not allocated.....			0	
14. Borrowed money (including \$.....50,000,000 current) and interest thereon \$.....41,792 (including \$.....41,792 current).....	125,041,792		125,041,792	50,012,931
15. Amounts due to parent, subsidiaries and affiliates.....	114,879,736		114,879,736	95,640,760
16. Derivatives.....			0	
17. Payable for securities.....	225,105		225,105	18,000,420
18. Payable for securities lending.....			0	
19. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers, \$.....0 unauthorized and \$.....0 certified reinsurers).....			0	
20. Reinsurance in unauthorized and certified (\$.....0) companies.....			0	
21. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
22. Liability for amounts held under uninsured plans.....	1,298,732		1,298,732	2,206,535
23. Aggregate write-ins for other liabilities (including \$.....0 current).....	920,913	0	920,913	668,475
24. Total liabilities (Lines 1 to 23).....	666,077,253	9,264,134	675,341,387	581,628,546
25. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
26. Common capital stock.....	XXX	XXX	10,000	10,000
27. Preferred capital stock.....	XXX	XXX		
28. Gross paid in and contributed surplus.....	XXX	XXX	15,643,045	15,643,045
29. Surplus notes.....	XXX	XXX		
30. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
31. Unassigned funds (surplus).....	XXX	XXX	876,877,052	692,925,508
32. Less treasury stock at cost:				
32.1 .....0.000 shares common (value included in Line 26 \$.....0).....	XXX	XXX		
32.2 .....0.000 shares preferred (value included in Line 27 \$.....0).....	XXX	XXX		
33. Total capital and surplus (Lines 25 to 31 minus Line 32).....	XXX	XXX	892,530,097	708,578,553
34. Total liabilities, capital and surplus (Lines 24 and 33).....	XXX	XXX	1,567,871,484	1,290,207,099

DETAILS OF WRITE-INS				
2301. Escheats.....	920,913		920,913	668,475
2302.			0	
2303.			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	920,913	0	920,913	668,475
2501.	XXX	XXX		
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	XXX	XXX	0	0
3001.	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	XXX	XXX	0	0

Blue Care Network of Michigan
STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	.....XXX.....	.....6,503,819	.....6,692,695
2. Net premium income (including \$.....0 non-health premium income).....	.....XXX.....	.....2,617,971,837	.....2,570,403,056
3. Change in unearned premium reserves and reserve for rate credits.....	.....XXX.....	.....(5,531,482)	.....(661,681)
4. Fee-for-service (net of \$.....0 medical expenses).....	.....XXX.....	.....	.....
5. Risk revenue.....	.....XXX.....	.....2,700,428	.....3,467,404
6. Aggregate write-ins for other health care related revenues.....	.....XXX.....	.....17,612,719	.....37,218
7. Aggregate write-ins for other non-health revenues.....	.....XXX.....	.....0	.....0
8. Total revenues (Lines 2 to 7).....	.....XXX.....	.....2,632,753,502	.....2,573,245,997
Hospital and Medical:			
9. Hospital/medical benefits.....	.....21,183,832	.....1,531,656,023	.....1,548,317,469
10. Other professional services.....	.....820,801	.....67,807,699	.....66,835,495
11. Outside referrals.....	.....74,308,092	.....74,308,092	.....80,301,197
12. Emergency room and out-of-area.....	.....3,276,706	.....147,817,105	.....144,864,869
13. Prescription drugs.....	.....	.....341,284,567	.....326,673,435
14. Aggregate write-ins for other hospital and medical.....	.....0	.....0	.....0
15. Incentive pool, withhold adjustments and bonus amounts.....	.....	.....55,099,852	.....53,617,323
16. Subtotal (Lines 9 to 15).....	.....99,589,431	.....2,217,973,338	.....2,220,609,788
Less:			
17. Net reinsurance recoveries.....	.....	.....32,043,584	.....31,217,625
18. Total hospital and medical (Lines 16 minus 17).....	.....99,589,431	.....2,185,929,754	.....2,189,392,163
19. Non-health claims (net).....	.....	.....	.....
20. Claims adjustment expenses, including \$.....51,972,277 cost containment expenses.....	.....	.....109,409,055	.....102,265,297
21. General administrative expenses.....	.....	.....201,706,943	.....140,079,837
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....	.....	.....(2,270,000)	.....2,270,000
23. Total underwriting deductions (Lines 18 through 22).....	.....99,589,431	.....2,494,775,752	.....2,434,007,297
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	.....XXX.....	.....137,977,750	.....139,238,700
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	.....	.....19,038,253	.....19,642,861
26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....	.....	.....11,299,717	.....5,228,669
27. Net investment gains or (losses) (Lines 25 plus 26).....	.....0	.....30,337,970	.....24,871,530
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....9,757) (amount charged off \$.....382,911)].....	.....	.....(373,154)	.....(194,749)
29. Aggregate write-ins for other income or expenses.....	.....0	.....0	.....0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	.....XXX.....	.....167,942,566	.....163,915,481
31. Federal and foreign income taxes incurred.....	.....XXX.....	.....728,404	.....449,059
32. Net income (loss) (Lines 30 minus 31).....	.....XXX.....	.....167,214,162	.....163,466,422

DETAILS OF WRITE-INS			
0601. Michigan Health Insurance Claims Assessment Collected.....	.....XXX.....	.....17,189,136	.....
0602. Other Revenue.....	.....XXX.....	.....423,583	.....37,218
0603. ....	.....XXX.....	.....	.....
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.....XXX.....	.....0	.....0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	.....XXX.....	.....17,612,719	.....37,218
0701. ....	.....XXX.....	.....	.....
0702. ....	.....XXX.....	.....	.....
0703. ....	.....XXX.....	.....	.....
0798. Summary of remaining write-ins for Line 7 from overflow page.....	.....XXX.....	.....0	.....0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	.....XXX.....	.....0	.....0
1401. ....	.....	.....	.....
1402. ....	.....	.....	.....
1403. ....	.....	.....	.....
1498. Summary of remaining write-ins for Line 14 from overflow page.....	.....0	.....0	.....0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	.....0	.....0	.....0
2901. ....	.....	.....	.....
2902. ....	.....	.....	.....
2903. ....	.....	.....	.....
2998. Summary of remaining write-ins for Line 29 from overflow page.....	.....0	.....0	.....0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	.....0	.....0	.....0

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	708,578,553	530,560,230
34. Net income or (loss) from Line 32.....	167,214,162	163,466,422
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0.....	11,618,559	16,499,661
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....		
39. Change in nonadmitted assets.....	5,118,823	(1,947,760)
40. Change in unauthorized and certified reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	183,951,544	178,018,323
49. Capital and surplus end of reporting period (Line 33 plus 48).....	892,530,097	708,578,553

DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	2,640,380,095	2,556,712,223
2. Net investment income.....	24,569,288	23,440,840
3. Miscellaneous income.....	20,313,147	3,504,622
4. Total (Lines 1 through 3).....	2,685,262,530	2,583,657,685
5. Benefit and loss related payments.....	2,204,846,577	2,181,463,665
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	312,624,715	239,768,068
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	855,000	378,000
10. Total (Lines 5 through 9).....	2,518,326,292	2,421,609,733
11. Net cash from operations (Line 4 minus Line 10).....	166,936,238	162,047,952
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	677,870,526	684,033,536
12.2 Stocks.....	205,801	549,102
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	(189,110)	(486,013)
12.7 Miscellaneous proceeds.....	1,141,362	18,000,420
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	679,028,579	702,097,045
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	826,065,625	881,824,951
13.2 Stocks.....	9,952,276	2,808,944
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	17,775,315	1,141,362
13.7 Total investments acquired (Lines 13.1 to 13.6).....	853,793,216	885,775,257
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(174,764,637)	(183,678,212)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....	75,000,000	50,000,000
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	30,237,937	(32,994,550)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	105,237,937	17,005,450
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	97,409,538	(4,624,810)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	570,864,141	575,488,951
19.2 End of year (Line 18 plus Line 19.1).....	668,273,680	570,864,141
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001 .....	.....	.....

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
Line of Business					
1.	Comprehensive (hospital and medical).....	2,002,696,067		26,452,130	1,976,243,937
2.	Medicare supplement.....	20,434,471			20,434,471
3.	Dental only.....				0
4.	Vision only.....				0
5.	Federal employees health benefits plan.....	88,443,834		1,196,818	87,247,016
6.	Title XVIII - Medicare.....	541,581,361		7,534,948	534,046,413
7.	Title XIX - Medicaid.....				0
8.	Other health.....				0
9.	Health subtotal (Lines 1 through 8).....	2,653,155,733	0	35,183,896	2,617,971,837
10.	Life.....				0
11.	Property/casualty.....				0
12.	Totals (Lines 9 to 11).....	2,653,155,733	0	35,183,896	2,617,971,837

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct.....	2,171,455,797	1,590,042,439	15,661,861			76,176,377	489,575,120			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	26,091,269	19,789,526				1,129,392	5,172,351			
1.4 Net.....	2,145,364,528	1,570,252,913	15,661,861	0	0	75,046,985	484,402,769	0	0	0
2. Paid medical incentive pools and bonuses.....	59,482,049	52,525,177				2,243,496	4,713,376			
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	270,146,170	201,719,685	2,292,667			8,989,542	57,144,276			
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	19,380,109	15,031,242				102,079	4,246,788			
3.4 Net.....	250,766,061	186,688,443	2,292,667	0	0	8,887,463	52,897,488	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct.....	0									
4.2 Reinsurance assumed.....	0									
4.3 Reinsurance ceded.....	0									
4.4 Net.....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	67,944,345	55,889,003				2,032,077	10,023,265			
6. Net healthcare receivables (a).....	6,232,457	5,704,957					527,500			
7. Amounts recoverable from reinsurers December 31, current year.....	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	272,496,024	204,185,806	2,379,901			9,361,884	56,568,433			
8.2 Reinsurance assumed.....	0									
8.3 Reinsurance ceded.....	13,427,794	9,772,951				98,191	3,556,652			
8.4 Net.....	259,068,230	194,412,855	2,379,901	0	0	9,263,693	53,011,781	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct.....	0									
9.2 Reinsurance assumed.....	0									
9.3 Reinsurance ceded.....	0									
9.4 Net.....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	72,326,542	64,954,993				2,197,361	5,174,188			
11. Amounts recoverable from reinsurers December 31, prior year.....	0									
12. Incurred benefits:										
12.1 Direct.....	2,162,873,486	1,581,871,361	15,574,627	0	0	75,804,035	489,623,463	0	0	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	32,043,584	25,047,817	0	0	0	1,133,280	5,862,487	0	0	0
12.4 Net.....	2,130,829,902	1,556,823,544	15,574,627	0	0	74,670,755	483,760,976	0	0	0
13. Incurred medical incentive pools and bonuses.....	55,099,852	43,459,187	0	0	0	2,078,212	9,562,453	0	0	0

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	59,637,857	44,398,747	545,248			2,113,640	12,580,222			
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	0									
1.4 Net.....	59,637,857	44,398,747	545,248	0	0	2,113,640	12,580,222	0	0	0
2. Incurred but unreported:										
2.1 Direct.....	201,641,109	148,453,734	1,747,419			6,875,902	44,564,054			
2.2 Reinsurance assumed.....	0									
2.3 Reinsurance ceded.....	19,380,109	15,031,242				102,079	4,246,788			
2.4 Net.....	182,261,000	133,422,492	1,747,419	0	0	6,773,823	40,317,266	0	0	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	8,867,204	8,867,204								
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	8,867,204	8,867,204	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	270,146,170	201,719,685	2,292,667	0	0	8,989,542	57,144,276	0	0	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	19,380,109	15,031,242	0	0	0	102,079	4,246,788	0	0	0
4.4 Net.....	250,766,061	186,688,443	2,292,667	0	0	8,887,463	52,897,488	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....	159,927,273	1,410,325,639	5,852,205	180,836,239	165,779,478	194,412,855
2. Medicare supplement.....	2,265,089	13,396,772	15,965	2,276,702	2,281,054	2,379,901
3. Dental only.....					.0	
4. Vision only.....					.0	
5. Federal employees health benefits plan.....	7,464,422	67,582,563	23,206	8,864,256	7,487,628	9,263,693
6. Title XVIII - Medicare.....	45,404,595	438,998,175	1,301,402	51,596,086	46,705,997	53,011,781
7. Title XIX - Medicaid.....					.0	
8. Other health.....					.0	
9. Health subtotal (Lines 1 to 8).....	215,061,379	1,930,303,149	7,192,778	243,573,283	222,254,157	259,068,230
10. Healthcare receivables (a).....		20,751,535			.0	14,519,078
11. Other non-health.....					.0	
12. Medical incentive pools and bonus amounts.....	55,637,244	3,844,805	2,477,930	65,466,415	58,115,174	72,326,542
13. Totals (Lines 9 - 10 + 11 + 12).....	270,698,623	1,913,396,419	9,670,708	309,039,698	280,369,331	316,875,694

(a) Excludes \$.0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	305,812	307,763	307,796	307,772	307,740
2. 2008.....	1,553,539	1,858,350	1,857,784	1,857,440	1,857,542
3. 2009.....	XXX	1,667,218	1,937,472	1,935,816	1,935,652
4. 2010.....	XXX	XXX	1,726,653	1,990,901	1,989,149
5. 2011.....	XXX	XXX	XXX	1,919,892	2,192,437
6. 2012.....	XXX	XXX	XXX	XXX	1,934,148

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	311,410	302,368	302,062	302,034	307,740
2. 2008.....	1,872,955	1,862,634	1,858,026	1,857,441	1,857,542
3. 2009.....	XXX	1,951,251	1,944,083	1,935,838	1,935,652
4. 2010.....	XXX	XXX	2,043,260	2,009,279	1,989,151
5. 2011.....	XXX	XXX	XXX	2,232,887	2,204,447
6. 2012.....	XXX	XXX	XXX	XXX	2,240,847

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	2,140,292	1,857,542	80,572	4.3	1,938,114	90.6			1,938,114	90.6
2. 2009.....	2,190,877	1,935,652	79,844	4.1	2,015,496	92.0			2,015,496	92.0
3. 2010.....	2,326,105	1,989,149	94,668	4.8	2,083,817	89.6	2	4	2,083,823	89.6
4. 2011.....	2,569,741	2,192,437	103,736	4.7	2,296,173	89.4	12,010	1,148	2,309,331	89.9
5. 2012.....	2,612,441	1,934,148	93,912	4.9	2,028,060	77.6	306,700	7,096	2,341,856	89.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	285,913	288,523	288,490	288,437	288,404
2. 2008.....	1,288,915	1,556,195	1,555,332	1,554,977	1,554,984
3. 2009.....	XXX	1,324,625	1,552,691	1,550,206	1,550,195
4. 2010.....	XXX	XXX	1,342,774	1,553,177	1,551,196
5. 2011.....	XXX	XXX	XXX	1,441,650	1,653,631
6. 2012.....	XXX	XXX	XXX	XXX	1,412,815

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	296,553	288,550	288,494	288,437	288,404
2. 2008.....	1,556,551	1,557,695	1,555,522	1,554,978	1,554,984
3. 2009.....	XXX	1,556,352	1,558,337	1,550,220	1,550,195
4. 2010.....	XXX	XXX	1,597,103	1,569,782	1,551,197
5. 2011.....	XXX	XXX	XXX	1,684,399	1,663,446
6. 2012.....	XXX	XXX	XXX	XXX	1,645,577

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	1,813,707	1,554,984	72,123	4.6	1,627,107	89.7			1,627,107	89.7
2. 2009.....	1,764,410	1,550,195	69,816	4.5	1,620,011	91.8			1,620,011	91.8
3. 2010.....	1,809,626	1,551,196	81,853	5.3	1,633,049	90.2	1	2	1,633,052	90.2
4. 2011.....	1,958,514	1,653,631	88,600	5.4	1,742,231	89.0	9,814	855	1,752,900	89.5
5. 2012.....	1,970,033	1,412,815	78,610	5.6	1,491,425	75.7	232,762	5,273	1,729,460	87.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....					
2. 2008.....					
3. 2009.....	XXX		9	9	9
4. 2010.....	XXX	XXX	8,511	10,442	10,436
5. 2011.....	XXX	XXX	XXX	12,678	14,949
6. 2012.....	XXX	XXX	XXX	XXX	13,397

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

12.MS

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....					
2. 2008.....					
3. 2009.....	XXX	13	9	10	9
4. 2010.....	XXX	XXX	10,681	10,452	10,437
5. 2011.....	XXX	XXX	XXX	15,047	14,965
6. 2012.....	XXX	XXX	XXX	XXX	15,673

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....				0.0	0	0.0			0	0.0
2. 2009.....	18	9	1	11.1	10	55.6			10	55.6
3. 2010.....	11,232	10,436	560	5.4	10,996	97.9	1	1	10,998	97.9
4. 2011.....	17,151	14,949	805	5.4	15,754	91.9	16	9	15,779	92.0
5. 2012.....	20,373	13,397	748	5.6	14,145	69.4	2,277	50	16,472	80.9

U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental
NONE

U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision
NONE

U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	5,733	5,721	5,738	5,738	5,738
2. 2008.....	56,500	64,239	65,038	65,057	65,057
3. 2009.....	XXX	64,664	71,556	72,427	72,363
4. 2010.....	XXX	XXX	62,325	70,244	70,078
5. 2011.....	XXX	XXX	XXX	73,907	83,700
6. 2012.....	XXX	XXX	XXX	XXX	67,728

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....					5,738
2. 2008.....	65,999	64,403	65,044	65,057	65,057
3. 2009.....	XXX	73,996	71,747	72,432	72,363
4. 2010.....	XXX	XXX	72,480	70,535	70,078
5. 2011.....	XXX	XXX	XXX	85,072	83,867
6. 2012.....	XXX	XXX	XXX	XXX	78,480

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	68,140	65,057	2,997	4.6	68,054	99.9			68,054	99.9
2. 2009.....	74,767	72,363	3,214	4.4	75,577	101.1			75,577	101.1
3. 2010.....	76,966	70,078	3,760	5.4	73,838	95.9			73,838	95.9
4. 2011.....	94,528	83,700	4,354	5.2	88,054	93.2	167	40	88,261	93.4
5. 2012.....	87,887	67,728	3,625	5.4	71,353	81.2	10,752	244	82,349	93.7

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	14,166	13,519	13,568	13,597	13,598
2. 2008.....	208,091	237,883	237,381	237,373	237,468
3. 2009.....	XXX	277,911	313,198	313,156	313,067
4. 2010.....	XXX	XXX	313,043	357,038	357,439
5. 2011.....	XXX	XXX	XXX	391,657	440,157
6. 2012.....	XXX	XXX	XXX	XXX	440,208

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	14,857	13,818	13,568	13,597	13,598
2. 2008.....	250,372	240,503	237,427	237,373	237,468
3. 2009.....	XXX	320,872	313,972	313,158	313,067
4. 2010.....	XXX	XXX	362,996	358,510	357,439
5. 2011.....	XXX	XXX	XXX	448,369	442,169
6. 2012.....	XXX	XXX	XXX	XXX	501,117

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....	258,445	237,468	5,452	2.3	242,920	94.0			242,920	94.0
2. 2009.....	351,682	313,067	6,813	2.2	319,880	91.0			319,880	91.0
3. 2010.....	428,281	357,439	8,495	2.4	365,934	85.4		1	365,935	85.4
4. 2011.....	499,548	440,157	9,977	2.3	450,134	90.1	2,012	244	452,390	90.6
5. 2012.....	534,148	440,208	10,929	2.5	451,137	84.5	60,909	1,529	513,575	96.1

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	NONE				
2. 2008.....					
3. 2009.....		XXX			
4. 2010.....		XXX	XXX		
5. 2011.....		XXX	XXX	XXX	
6. 2012.....		XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....	NONE				
2. 2008.....					
3. 2009.....		XXX			
4. 2010.....		XXX	XXX		
5. 2011.....		XXX	XXX	XXX	
6. 2012.....		XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....					NONE	0.0			0	0.0
2. 2009.....				0.0		0.0			0	0.0
3. 2010.....				0.0		0.0			0	0.0
4. 2011.....				0.0		0.0			0	0.0
5. 2012.....				0.0		0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....					
2. 2008.....	.33	.33	.33	.33	.33
3. 2009.....	XXX	.18	.18	.18	.18
4. 2010.....	XXX	XXX			
5. 2011.....	XXX	XXX	XXX		
6. 2012.....	XXX	XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2008	2 2009	3 2010	4 2011	5 2012
1. Prior.....					
2. 2008.....	.33	.33	.33	.33	.33
3. 2009.....	XXX	.18	.18	.18	.18
4. 2010.....	XXX	XXX			
5. 2011.....	XXX	XXX	XXX		
6. 2012.....	XXX	XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2008.....		.33		.0.0	.33	.0.0			.33	.0.0
2. 2009.....		.18		.0.0	.18	.0.0			.18	.0.0
3. 2010.....				.0.0	.0	.0.0			.0	.0.0
4. 2011.....				.0.0	.0	.0.0			.0	.0.0
5. 2012.....				.0.0	.0	.0.0			.0	.0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	2,349,084	1,779,099	569,815				170		
2. Additional policy reserves (a).....	0								
3. Reserve for future contingent benefits.....	0								
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	6,663,098	6,164,903					498,195		
5. Aggregate write-ins for other policy reserves.....	0	0	0	0	0	0	0	0	0
6. Totals (gross).....	9,012,182	7,944,002	569,815	0	0	0	498,365	0	0
7. Reinsurance ceded.....	0								
8. Totals (net) (Page 3, Line 4).....	9,012,182	7,944,002	569,815	0	0	0	498,365	0	0
9. Present value of amounts not yet due on claims.....	0								
10. Reserve for future contingent benefits.....	0								
11. Aggregate write-ins for other claim reserves.....	0	0	0	0	0	0	0	0	0
12. Totals (gross).....	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded.....	0								
14. Totals (net) (Page 3, Line 7).....	0	0	0	0	0	0	0	0	0

DETAILS OF WRITE-INS

0501.	0								
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0	0	0	0	0	0	0
1101.	0								
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0	0	0	0	0	0

(a) Includes \$.....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....	1,563,691	1,959,526	2,405,972	14,003	5,943,192
2. Salaries, wages and other benefits.....	28,828,417	31,850,239	56,336,038	361,671	117,376,365
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			67,782,375		67,782,375
4. Legal fees and expenses.....			550,653		550,653
5. Certifications and accreditation fees.....	47,839				47,839
6. Auditing, actuarial and other consulting services.....	371,938	176,728	3,698,657	67,947	4,315,270
7. Traveling expenses.....	402,905	316,698	1,558,072	5,253	2,282,928
8. Marketing and advertising.....	9,128	11,758	8,588,450		8,609,336
9. Postage, express and telephone.....	117,478	614,464	2,570,454	1,121	3,303,517
10. Printing and office supplies.....	388,453	146,497	800,326	24,016	1,359,292
11. Occupancy, depreciation and amortization.....	100,757	134,274	257,441		492,472
12. Equipment.....	160,693	220,857	207,142		588,692
13. Cost or depreciation of EDP equipment and software.....	3,266,650	3,079,534	22,506,750	13,547	28,866,481
14. Outsourced services including EDP, claims, and other services.....	12,859,179	16,539,832	9,955,144	29,988	39,384,143
15. Boards, bureaus and association fees.....	203,455	68,307	1,587,638	1,346	1,860,746
16. Insurance, except on real estate.....	20,800	27,302	509,115	5,931	563,148
17. Collection and bank service charges.....				327,583	327,583
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....			17,600,743		17,600,743
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....			707,954		707,954
23.4 Payroll taxes.....	1,955,965	2,254,549	3,610,302		7,820,816
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	1,674,929	36,213	473,717	0	2,184,859
26. Total expenses incurred (Lines 1 to 25).....	51,972,277	57,436,778	201,706,943	852,406	(a) 311,968,404
27. Less expenses unpaid December 31, current year.....	39,957	8,208,756	25,122,021		33,370,734
28. Add expenses unpaid December 31, prior year.....	79,724	7,957,137	23,561,387		31,598,248
29. Amounts receivable relating to uninsured plans, prior year.....					0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	52,012,044	57,185,159	200,146,309	852,406	310,195,918

DETAILS OF WRITE-INS

2501. Other expenses.....	1,674,929	36,213	473,717		2,184,859
2502.					0
2503.					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	1,674,929	36,213	473,717	0	2,184,859

(a) Includes management fees of \$....63,744,657 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....2,442,342	.....2,485,917
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....11,696,901	.....12,385,424
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....114,370	.....114,370
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....6,104,152	.....5,425,320
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....20,357,765	.....20,411,031
11. Investment expenses.....		(g).....852,406
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....
13. Interest expense.....		(h).....520,372
14. Depreciation on real estate and other invested assets.....		(i).....0
15. Aggregate write-ins for deductions from investment income.....		.....0
16. Total deductions (Lines 11 through 15).....		.....1,372,778
17. Net investment income (Line 10 minus Line 16).....		.....19,038,253

DETAILS OF WRITE-INS

0901. ....	.....	.....
0902. ....	.....	.....
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0
1501. ....		.....
1502. ....		.....
1503. ....		.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....		.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....		.....0

- (a) Includes \$.....124,048 accrual of discount less \$.....5,592,864 amortization of premium and less \$.....3,041,358 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....165,684 accrual of discount less \$.....23,673,036 amortization of premium and less \$.....5,609,105 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....2,453,888	.....	.....2,453,888	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	.....0	.....	.....
1.2 Other bonds (unaffiliated).....	.....9,272,046	.....(113,628)	.....9,158,418	.....	.....
1.3 Bonds of affiliates.....	.....	.....	.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....	.....	.....0	.....	.....
2.11 Preferred stocks of affiliates.....	.....	.....	.....0	.....	.....
2.2 Common stocks (unaffiliated).....	.....7,408	.....(130,887)	.....(123,479)	.....28,213	.....
2.21 Common stocks of affiliates.....	.....	.....	.....0	.....3,002,501	.....
3. Mortgage loans.....	.....	.....	.....0	.....	.....
4. Real estate.....	.....	.....	.....0	.....	.....
5. Contract loans.....	.....	.....	.....0	.....	.....
6. Cash, cash equivalents and short-term investments.....	.....(189,110)	.....	.....(189,110)	.....	.....
7. Derivative instruments.....	.....	.....	.....0	.....	.....
8. Other invested assets.....	.....	.....	.....0	.....8,587,845	.....
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....11,544,232	.....(244,515)	.....11,299,717	.....11,618,559	.....0

DETAILS OF WRITE-INS

0901. ....	.....	.....	.....0	.....	.....
0902. ....	.....	.....	.....0	.....	.....
0903. ....	.....	.....	.....0	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page...	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0	.....0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.....0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.....0
2.2 Common stocks.....			.....0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.....0
3.2 Other than first liens.....			.....0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.....0
4.2 Properties held for the production of income.....			.....0
4.3 Properties held for sale.....			.....0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.....0
6. Contract loans.....			.....0
7. Derivatives (Schedule DB).....			.....0
8. Other invested assets (Schedule BA).....			.....0
9. Receivables for securities.....			.....0
10. Securities lending reinvested collateral assets (Schedule DL).....			.....0
11. Aggregate write-ins for invested assets.....	.....0	.....0	.....0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	.....0	.....0	.....0
13. Title plants (for Title insurers only).....			.....0
14. Investment income due and accrued.....			.....0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	.....20,029	.....628,921	.....608,892
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.....0
15.3 Accrued retrospective premiums.....			.....0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers.....			.....0
16.2 Funds held by or deposited with reinsured companies.....			.....0
16.3 Other amounts receivable under reinsurance contracts.....			.....0
17. Amounts receivable relating to uninsured plans.....			.....0
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.....0
18.2 Net deferred tax asset.....			.....0
19. Guaranty funds receivable or on deposit.....			.....0
20. Electronic data processing equipment and software.....	.....6,548,575	.....12,224,049	.....5,675,474
21. Furniture and equipment, including health care delivery assets.....	.....2,212,290	.....332,751	.....(1,879,539)
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.....0
23. Receivables from parent, subsidiaries and affiliates.....		.....2,763,200	.....2,763,200
24. Health care and other amounts receivable.....	.....2,193,882	.....69,848	.....(2,124,034)
25. Aggregate write-ins for other than invested assets.....	.....1,173,662	.....1,248,492	.....74,830
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	.....12,148,438	.....17,267,261	.....5,118,823
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.....0
28. TOTALS (Lines 26 and 27).....	.....12,148,438	.....17,267,261	.....5,118,823

DETAILS OF WRITE-INS

1101. ....			.....0
1102. ....			.....0
1103. ....			.....0
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.....0	.....0	.....0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.....0	.....0	.....0
2501. Prepaid expenses.....	.....1,171,796	.....1,156,405	.....(15,391)
2502. Other Accounts Receivable.....	.....1,866	.....92,087	.....90,221
2503. ....			.....0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.....0	.....0	.....0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.....1,173,662	.....1,248,492	.....74,830

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....	569,229	544,310	543,699	544,284	544,596	6,503,819
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....						
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total.....	569,229	544,310	543,699	544,284	544,596	6,503,819

DETAILS OF WRITE-INS

0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	0	0	0	0	0	0

1. Summary Of Significant Accounting Policies

A. Accounting Practices

The financial statements of Blue Care Network of Michigan (BCN) are presented on the basis of accounting practices required by the Michigan Office of Financial and Insurance Regulation (OFIR).

OFIR has adopted the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* and the related *NAIC Annual Statement Instructions* (NAIC SAP) for determining and reporting the financial condition and results of operations of an insurance company. OFIR requires the use of NAIC SAP to the extent that practices, procedures, and reporting standards are not modified by the Michigan Insurance Code or by the OFIR *Forms and Instructions for Required Filings in Michigan* as prescribed or permitted practices.

A reconciliation of BCN's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan is shown below:

	State of Domicile	2012	2011
NET INCOME			
(1) Blue Care Network of Michigan	Michigan	\$ 167,214,162	\$ 163,466,422
(2) State Prescribed Practices that increase / (decrease) NAIC SAP:			
None		-	-
(3) State Permitted Practices that increase / (decrease) NAIC SAP:			
None		-	-
(4) NAIC SAP (1-2-3=4)		<u>\$ 167,214,162</u>	<u>\$ 163,466,422</u>
SURPLUS			
(5) Blue Care Network of Michigan	Michigan	\$ 892,530,097	\$ 708,578,553
(6) State Prescribed Practices that increase / (decrease) NAIC SAP:			
None		-	-
(7) State Permitted Practices that increase / (decrease) NAIC SAP:			
None		-	-
(8) NAIC SAP (5-6-7=8)		<u>\$ 892,530,097</u>	<u>\$ 708,578,553</u>

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of statutory-basis financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the statutory-basis financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policy

BCN follows the accounting policies below:

- (1) Short-term investments – stated at amortized cost.
- (2) Bonds not backed by other loans – that have a NAIC designation of one or two are stated at amortized cost using the scientific interest method. Bonds with a NAIC designation of three or higher are carried at the lower of amortized cost or fair market value.
- (3) Common Stocks – stated at fair value except common stock investments of uncombined subsidiaries.
- (4) Preferred Stocks – stated at book value for NAIC classes one and two and lower of book value or market for NAIC classes three through six. Changes in unrealized appreciation and depreciation in the value of preferred stocks are reflected as direct increases or decreases in surplus.

- (5) Mortgage loans on real estate – NOT APPLICABLE
- (6) Loan-backed securities – stated at amortized cost. Premiums and discounts on loan-backed securities and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker dealer survey values or internal estimates. Changes in estimated cash flows from the original purchase assumptions are accounted for using the prospective method.
- (7) Investments in subsidiaries, controlled and affiliated entities – BCN records its investment in certain affiliated trusts, Blue Care Network Medical Malpractice Self-Insurance Trust (Malpractice Trust) and Blue Care Network Stop-Loss and Casualty Self-Insurance Trust (Stop-Loss Trust), as other invested assets. The investments are valued using the adjusted audited accounting principles generally accepted in the United States of America (GAAP) equity method and reports the increase or decrease in the investment as a component of capital and surplus – change in net unrealized capital gains and (losses).

BCN records its investment in BCN Service Company (BCNSC), a wholly owned subsidiary, as common stock, using the audited GAAP equity method.

BCN records its investment in Blue Cross Complete of Michigan (BCC), a wholly owned subsidiary, as common stock, using the audited statutory equity method.
- (8) Investments in joint ventures, partnerships and limited liability companies – NOT APPLICABLE
- (9) Derivatives – NOT APPLICABLE
- (10) Investment income in premium deficiency calculation – NOT APPLICABLE
- (11) Claims Unpaid – The claims unpaid liability for incurred but unpaid and unreported claims is accrued in the period during which the services are provided and includes actuarial estimates of services performed that have not been reported to BCN by providers. Such estimates are based on historical claims experience modified for current trends and changes in benefits provided. Revisions in actuarial estimates are reported in the period in which they arise. BCN has reinsured certain of its claims liabilities through the affiliated Stop-Loss Trust. Processing expense related to unpaid claims is accrued based on an estimate of cost to process such claims.
- (12) Fixed Asset Capitalization – BCN had no change in its fixed assets capitalization policy from the prior period.
- (13) Pharmaceutical rebate receivables – estimated based on historical rebate experience and membership.

2. Accounting Changes and Corrections of Errors – NOT APPLICABLE

3. Business Combinations and Goodwill – NOT APPLICABLE

4. Discontinued Operations – NOT APPLICABLE

5. Investments

- A. Mortgage Loans, including Mezzanine Real Estate Loans – NOT APPLICABLE
- B. Debt Restructuring – NOT APPLICABLE
- C. Reverse Mortgages – NOT APPLICABLE
- D. Loan-Backed Securities –

- (1) Prepayment assumptions are obtained from broker dealer survey values or internal estimates.
- (2) Quarterly Recognized Other-Than-Temporary Impairment of Loan-Backed Securities – NOT APPLICABLE
- (3) Other-Than-Temporary Impairment of Loan-Backed Securities Recognized – NOT APPLICABLE
- (4) The impaired securities (fair value is less than amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

a. The aggregate amount of unrealized losses:

1. Less than 12 Months\$537,327

2. 12 Months or Longer0

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months\$44,328,922

2. 12 Months or Longer0

(5) Because BCN has determined the investments, noted in (4)b above, have not been subject to credit losses and BCN does not have the intent to sell the securities and has the ability to hold such securities, BCN does not consider these investments to be other-than-temporarily impaired.

E. Repurchase Agreements and/or Securities Lending Transactions – NOT APPLICABLE

F. Real Estate – NOT APPLICABLE

G. Investments in low-income housing tax credits (LIHTC) – NOT APPLICABLE

6. Joint Ventures, Partnerships and Limited Liability Companies – NOT APPLICABLE

7. Investment Income

A. BCN non admits investment income due and accrued if the amounts are over 90 days past due.

B. BCN admitted all accrued investment income as of December 31, 2012 and 2011, respectively.

8. Derivative Instruments – NOT APPLICABLE

9. Income Taxes

A. Deferred Tax Assets or Deferred Tax Liabilities – NOT APPLICABLE

B. Unrecognized Deferred Tax Liabilities – NOT APPLICABLE

C. Components of income tax incurred - BCN has been recognized by the Internal Revenue Service, under Internal Revenue Code Section 501(c)(4), as an organization exempt from tax under Section 501(a). BCN recorded federal income tax incurred of \$728,404 and \$449,059 for 2012 and 2011, respectively, related to unrelated business income. There were no deferred income tax assets, deferred income tax liabilities, investment tax credits, or loss carryforwards as of December 31, 2012 or 2011. BCN did not have any material uncertain tax positions as of December 31, 2012 or 2011.

D. Significant book to tax adjustments – NOT APPLICABLE

E. Loss carry forwards, credit carry forwards – NOT APPLICABLE

F. Consolidated tax filing – NOT APPLICABLE

G. Loss contingencies – NOT APPLICABLE

BCN believes that the income tax liability for uncertain tax positions will not significantly increase or decrease within the next twelve months.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A. On a routine basis, BCN conducts business transactions with its parent, Blue Cross Blue Shield of Michigan (BCBSM), and affiliates: Blue Care of Michigan, Inc. (BCMI), a subsidiary of BCBSM; Malpractice Trust; Stop-Loss Trust; Accident Fund Insurance Company of America, a subsidiary of a BCBSM wholly owned affiliate, Accident Fund Holdings, Inc. (AFHI); LifeSecure Insurance Company (LifeSecure), a subsidiary of a BCBSM wholly owned affiliate, LifeSecure Holdings Corporation; BCBSM Foundation, a subsidiary of BCMI; BCNSC; and BCC.

B. Transactions with BCBSM include payments for health benefit coverage; processing and payment of certain claims; underpayments and/or overpayments due to and from hospitals; management, administrative and professional services; assigned employee salaries and related benefits; building rent; and purchased services including agent fees. Transactions with affiliates include funds collected on another's behalf; capitation payments; management, administrative and professional services; workers' compensation coverage; malpractice liability coverage; insolvency coverage; and reduced deductibles for property, general liability, automobile, and fidelity insurance coverage.

Administrative support fees paid to BCBSM were allocated to the statutory administrative expense categories of cost containment, other claims adjustment, general administrative and investment expenses, based on BCBSM's statutory administrative expense categories. These statutory administrative expense categories were further allocated to detailed expense accounts based on the BCBSM's expense detail.

C. For the years ended December 31, 2012 and 2011, \$1,083,362,629 and \$1,071,929,633, respectively, were billed from BCBSM and affiliates for the operating activities detailed above. The majority of these transactions were related to BCBSM.

For the years ended December 31, 2012 and 2011, \$297,892,216 and \$269,970,640, respectively, were billed to BCBSM and affiliates. The majority of these transactions were related to BCNSC.

D. Except for reinsurance ceded and ceded reinsurance premiums payable, all related-party receivable and payable balances are classified as either claims unpaid or amounts due to or receivables from parent, subsidiaries, and affiliates.

At December 31, 2012 and 2011, BCN had \$54,998,463 and \$41,553,046, respectively, in related party receivables. The majority of the balances were related to BCBSM.

At December 31, 2012 and 2011, BCN had \$124,704,000 and \$95,700,677, respectively, in related party payables. The majority of the balances were related to BCBSM.

Effective in 2009, in exchange for assuming the unfunded postretirement obligation, BCN and BCBSM executed an intercompany transfer agreement, whereby BCN will repay the obligation assumed by BCBSM with annual installments over a 20-year term. BCN's payments to reduce this obligation and the balance due are included in the amounts reflected above.

Future minimum payments under the BCBSM postretirement transfer agreement as of December 31, 2012, are as follows:

2013	\$ 3,607,639
2014	3,607,639
2015	3,607,639
2016	3,607,639
2017	3,607,639
2018 and thereafter	<u>39,684,030</u>
Total	<u>\$57,722,225</u>

- E. Affiliate Guarantees – NOT APPLICABLE
- F. BCN has agreements with BCBSM and affiliates under which the parties may provide services to or receive services from BCN. Except for the BCBSM postretirement transfer agreement, the agreements provide for monthly payments.
- G. All outstanding shares of BCN are owned by BCBSM. In addition, BCN; BCNSC; BCC; BCBSM; BCMI; BCBSM Foundation; AFHI; LifeSecure; and Bloom Health Corporation, a subsidiary of BCBSM; have some common officers and board members.
- H. Ownership in upstream affiliate or parent – NOT APPLICABLE
- I. BCN performs the test of “significance of an investment to the reporting entity’s financial position and results of operations,” as required by SSAP No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities - A Replacement of SSAP No. 88*. BCN’s carrying value of its investments in the Stop-Loss Trust, Malpractice Trust, BCNSC, and BCC did not individually exceed 10% of BCN’s admitted assets as of December 31, 2012 and 2011.
- J. Investment impaired – NOT APPLICABLE
- K. Investment in a foreign insurance subsidiary – NOT APPLICABLE
- L. Investment in downstream noninsurance holding company – NOT APPLICABLE

11. Debt

- A. Debt and Holding Company Obligations – NOT APPLICABLE
- B. FHLB (Federal Home Loan Bank) Agreements
- (1) BCN became a member of the Federal Home Loan Bank of Indianapolis (FHLBI) on December 1, 2009, in order to obtain short-term, long-term and line-of-credit borrowing privileges. On June 24, 2011, BCN borrowed \$50,000,000 at a rate of 0.49 percent on the 19-month loan. On May 30, 2012, BCN borrowed \$25,000,000 at a rate of 1.10% on the 60 month loan. On September 17, 2012, BCN borrowed \$50,000,000 at a rate of 0.73% on the 48 month loan. BCN plans to utilize any funding obtained to cover operational needs or longer-term strategic plans. Borrowings are accounted for consistent with SSAP No. 15, *Debt and Holding Company Obligations* and SSAP No. 52, *Deposit Type Contracts*. The loans are collateralized by government securities and U.S. special revenue and special assessment securities at 105% of the outstanding loan balance. Total interest expensed as of December 31, 2012 and 2011 was \$520,372 and \$132,570, respectively. The carrying value of the outstanding debt amount of \$125,000,000 and \$50,000,000, as of December 31, 2012 and 2011, respectively, approximates fair value. The table below indicates the amount of stock purchased, collateral pledged, borrowing capacity available and assets and liabilities related to the agreement with FHLBI:

	2012	2011
(2) FHLBI stock purchased/owned as part of the agreement	\$ 6,250,000	\$ 3,000,000
(3) Collateral pledged to the FHLBI	131,250,000	52,500,000
(4) Borrowing capacity currently available	-	10,000,000
(5) Agreement assets and liabilities		
General Account:		
a. Assets	131,250,000	52,500,000
b. Liabilities	125,000,000	50,000,000

Future minimum payments required for the outstanding borrowings due to FHLBI as of December 31, 2012, are as follows:

Years Ending December 31		
2013	\$	50,000,000
2014		-
2015		-
2016		50,000,000
2017		<u>25,000,000</u>
Total	\$	125,000,000

12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Postretirement Benefit Plans

- A. Defined Benefit Plan – NOT APPLICABLE
- B. Defined Contribution Plans – NOT APPLICABLE
- C. Multi-employer Plans – NOT APPLICABLE
- D. Consolidated/Holding Company Plans

Some BCBSM employees have been assigned to BCN; therefore, BCBSM has the responsibility for administering and funding the pension and other postretirement benefits for these assigned employees and all BCN retirees.

The assigned employees and all BCN retirees participate in qualified and non-qualified noncontributory defined benefit pension plans, and qualified defined contribution and deferred compensation plans sponsored by BCBSM, the parent company. In addition, all BCN retirees participate in certain other postretirement benefits offered for retired employees through a plan sponsored by BCBSM. BCN has no legal obligation for benefits under these plans. BCBSM allocates amounts to BCN based on the specific attributes of the assigned employees as determined by outside actuaries. BCN’s share of net expense for qualified and non-qualified pension plans, other postretirement benefit plans and qualified defined contribution plans was:

	2012	2011
Qualified and non-qualified pension plans	\$8,161,515	\$6,234,308
Other postretirement benefit plans	6,925,617	7,987,158
Qualified defined contribution plan	1,953,997	2,023,287

The above expenses and amounts due to BCBSM related to the retirement expenses, as of December 31, 2012 and 2011, are disclosed in Note 10.

- E. Post employment Benefits and Compensated Absences – NOT APPLICABLE
- F. Impact of Medicare Modernization Act on Postretirement Benefits – NOT APPLICABLE

13. Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations.

- (1) BCN has 500 shares of common stock authorized; and 100 shares issued and outstanding. All shares are one class and have a par value of \$100 per share.
- (2) Preferred stock – NOT APPLICABLE
- (3) Dividend Restrictions – BCN’s Articles of Incorporation prohibit dividends.
- (4) Dividends Paid – NOT APPLICABLE

- (5) Stockholder's portion of ordinary dividends – NOT APPLICABLE
- (6) Restrictions placed on unassigned funds (surplus) – NOT APPLICABLE
- (7) The total amount of advances to surplus not repaid – NOT APPLICABLE
- (8) The amount of stock held by BCN for special purposes – NOT APPLICABLE
- (9) Special surplus funds changes – NOT APPLICABLE
- (10) The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses was a net unrealized gain of \$121,483,724 at December 31, 2012.
- (11) Surplus Notes – NOT APPLICABLE
- (12) Impact of any restatement due to quasi-reorganization – NOT APPLICABLE
- (13) Effective date(s) of all quasi-reorganizations in the prior 10 years is/are – NOT APPLICABLE

14. Contingencies

- A. Contingent Commitments – NOT APPLICABLE
- B. Assessments

The following items were recognized under SSAP No. 35R, *Guaranty Fund and Other Assessments*:

Effective January 1, 2012 through December 31, 2013, Michigan's Health Insurance Claims Assessment Act imposes an assessment on certain health care claims. BCN bears the inherent credit risk of uncollectability of the tax and therefore records the tax under the gross method, whereby claims taxes collected and paid are recorded as aggregate write-ins for other health care related revenues and general administrative expense, respectively. The liability is reflected in amounts withheld for the account of others as of December 31, 2012 in the amount of \$5,543,319.

Effective October 1, 2012 through September 30, 2019, the Affordable Care Act (ACA) requires a comparative effectiveness assessment to fund health outcome and clinical effectiveness research conducted by the Patient Centered Outcomes Research Institute, a non-profit organization created by the ACA. The liability is reflected in amounts withheld for the account of others as of December 31, 2012 in the amount of \$126,735.

- C. Gain Contingencies – NOT APPLICABLE
- D. Claims Related to Extra Contractual Obligations and Bad Faith Losses Stemming from Lawsuits – NOT APPLICABLE
- E. All Other Contingencies

BCN is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the annual statement.

In accordance with BCN's impairment policy, other-than-temporarily impairment (OTTI) is presumed to exist when the market value is below cost for investments managed by outside investment managers, because BCN has delegated the decision to hold the security until recovery and cannot assert the "intent and ability to hold to recovery."

The OTTI fair-value write-down for securities managed by outside managers was \$113,627 and \$0 for debt securities and \$130,887 and \$0 for equity securities in 2012 and 2011, respectively.

Except for the recorded impairment mentioned above, all other investment securities that temporarily have a fair market value that is below amortized cost, are not considered to be impaired.

15. Leases

- A. Lessee Operating Lease
 - (1) Leasing arrangements
 - (a) Rental Expense

BCN entered into certain cancelable building leases with BCBSM. Rent expense under BCBSM leases in 2012 and 2011 was \$943,968 and \$326,348, respectively.

BCN also leases office buildings under operating leases with different unrelated parties. Rent expense under these leases was \$4,889,461 and \$4,932,927 in 2012 and 2011, respectively.

(b) Contingent Rental Payment Basis – NOT APPLICABLE

(c) BCN has the option to purchase its headquarters building but has not exercised such option. BCN also has the option at the expiration of the lease, at June 30, 2015, to extend the lease for three terms of five years each with prior written notice.

(d) Lease Restrictions – NOT APPLICABLE

(e) Early Terminations – NOT APPLICABLE

(2) Noncancelable leases

(a) At December 31, 2012, the minimum aggregate rental commitments were as follows:

Year Ending December 31	Operating Leases
2013	\$ 5,323,811
2014	3,905,622
2015	<u>1,938,128</u>
Total	<u>\$ 11,167,561</u>

(b) Non-cancelable subleases – NOT APPLICABLE

(3) Sale-leaseback transactions – NOT APPLICABLE

B. Lessor Leases – NOT APPLICABLE

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk – NOT APPLICABLE

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities – NOT APPLICABLE

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans –

A. ASO Plans – NOT APPLICABLE

B. ASC Plans – NOT APPLICABLE

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract

(1) Medicare Part D cost-based reimbursements for the years 2012 and 2011 consisted of \$1,385,089 and \$2,182,551, respectively, for coverage gap discount; \$2,168,349 and \$2,259,998, respectfully, for low-income subsidy (cost sharing portion); \$2,989,152 and \$3,507,601, respectively, for reinsurance payments.

(2) As of December 31, 2012 and 2011, respectively, BCN had recorded receivables from the following payors whose account balances were greater than 10% of BCN's amounts receivable from uninsured accident and health plans or \$10,000:

	2012	2011
Centers for Medicare & Medicaid Services (CMS)	<u>\$3,694,731</u>	<u>\$1,442,047</u>

(3) In connection with the Medicare Part D cost-based reimbursement portion of the contract, BCN has recorded allowances and reserves for adjustment of recorded revenues in the amount of \$1,298,732 and \$2,206,535 as of December 31, 2012 and 2011, respectively.

(4) Adjustments to revenue resulting from an audit of receivables related to revenues recorded in the prior period – NOT APPLICABLE

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators – NOT APPLICABLE

20. Fair Value Measurements

A. Fair Value Measurements at Reporting Date

Description for each class of asset	Level 1	Level 2	Level 3	Total
Common Stocks:				
Industrial and miscellaneous	\$ 6,250,000	\$ -	\$ -	\$ 6,250,000
Mututal funds	333,976	5,973,770	-	6,307,746
Money market mutual funds	<u>117,870</u>	<u>-</u>	<u>-</u>	<u>117,870</u>
Total Common Stocks	<u>\$ 6,701,846</u>	<u>\$ 5,973,770</u>	<u>\$ -</u>	<u>\$ 12,675,616</u>

Certain assets and liabilities of BCN are measured and reported: (a) at amortized cost, (b) at values using the adjusted audited GAAP equity method, or (c) at values that approximate fair value due to their liquid or short-term nature.

B. Other Fair Value Information – NOT APPLICABLE

C. Fair Value of Financial Instruments

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds:						
U.S. government	\$156,862,177	\$151,277,086	\$156,862,177	\$ -	\$ -	\$ -
All other governments	3,624,576	3,503,025	-	3,624,576	-	-
Special revenue and special assessment obligations	193,791,841	191,904,111	-	193,791,841	-	-
Industrial and miscellaneous (mortgage-backed)	47,700,835	46,742,320	-	47,700,835	-	-
Industrial and miscellaneous	<u>265,958,602</u>	<u>250,335,378</u>	<u>-</u>	<u>265,958,602</u>	<u>-</u>	<u>-</u>
Total Bonds	<u>\$667,938,031</u>	<u>\$643,761,920</u>	<u>\$156,862,177</u>	<u>\$511,075,854</u>	<u>\$ -</u>	<u>\$ -</u>
Preferred Stocks - Industrial and miscellaneous	<u>\$ 437,060</u>	<u>\$ 436,100</u>	<u>\$ -</u>	<u>437,060</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Equivalents - Industrial and miscellaneous bonds	<u>\$ 44,752,115</u>	<u>\$ 44,756,303</u>	<u>\$ 9,248,668</u>	<u>\$ 35,503,447</u>	<u>\$ -</u>	<u>\$ -</u>
Short-term investments:						
Industrial and miscellaneous bonds	\$499,056,713	\$499,050,620	\$ -	\$499,056,713	\$ -	\$ -
Money market mutual funds	<u>126,530,626</u>	<u>126,530,626</u>	<u>126,530,626</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Short-term Investments	<u>\$625,587,339</u>	<u>\$625,581,246</u>	<u>\$126,530,626</u>	<u>\$499,056,713</u>	<u>\$ -</u>	<u>\$ -</u>

D. Not Practicable to Estimate Fair Value – NOT APPLICABLE

21. Other Items

A. Extraordinary Items – NOT APPLICABLE

B. Troubled Debt Restructuring – NOT APPLICABLE

C. Other Disclosures

Statutory Deposit – As a condition of maintaining its certificate of authority with the State of Michigan, BCN maintains a deposit in a segregated account of \$1,000,000, which is the maximum required for a Health Maintenance Organization. These funds are intended to be used for the sole benefit of all BCN's members and only at the direction of the Insurance Commissioner of the State of Michigan. The funds are invested in an exempt money market mutual fund and reported in short-term investments. Interest on these funds accrues to BCN.

Industry Concentration – BCN conducts business primarily within the state of Michigan. A significant portion of BCN’s customer base is concentrated in companies that are part of the automobile manufacturing industry. Receivables from those customers were \$7,141,875 and \$13,188,928 as of December 31, 2012 and 2011, respectively. In addition, BCN held investments in these customers with a total value of \$15,949,517 and \$8,961,456 as of December 31, 2012 and 2011, respectively.

National Health Care Reform – In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were enacted (collectively, these laws are known as the PPACA or the ACA). The structure of reform changes the fundamentals of health care and health insurance dynamics, including coverage requirements; insurance rules around issuance, rating and competition; and regulatory and compliance requirements.

The establishment of minimum medical loss ratio (MLR) took effect in January 2011. Other significant changes, which will take effect over a multi-year period, with many important provisions taking effect in 2014, include: prohibiting health insurers from denying coverage or refusing claims based on pre-existing conditions, expanding Medicaid eligibility, subsidizing individual market and certain small group insurance premiums, providing incentives for businesses to provide health care benefits, establishing health insurance exchanges, making various changes to Medicare payment formulas, and providing support for public health and medical research.

Certain provisions of the PPACA require state action and implementation. The State of Michigan has developed a strategic plan to implement the PPACA. OFIR has been working with the Michigan Legislature to enact specific amendments to the Michigan Insurance Code that will provide state authority to enforce consumer protections enacted under the Federal law.

BCN was in compliance with all requirements that were in effect during the years ended December 31, 2012 and 2011.

Medicare Advantage Premium Adjustment Risk – CMS has announced their intention to audit the data used to calculate the risk scores of Medicare Advantage carriers. Such an audit, if it were to occur, could result in adjustments to BCN’s risk scores and retroactive premium adjustments subsequent to the annual settlement.

- D. Uncollectible Premiums and Premiums Receivable – NOT APPLICABLE
- E. Business Interruption Insurance Recoveries – NOT APPLICABLE
- F. State Transferable and Non-transferable Tax Credits – NOT APPLICABLE
- G. Subprime-Mortgage-Related Risk Exposure – NOT APPLICABLE
- H. Retained Assets – NOT APPLICABLE

22. Events Subsequent

Management has evaluated all events subsequent to the annual statement date of December 31, 2012 through February 28, 2013, for the annual statement submitted on March 1, 2013, and has determined that there are no Type I or Type II subsequent events that require disclosure under SSAP No. 9, *Subsequent Events*.

23. Reinsurance

A. Ceded Reinsurance Report

In compliance with the NAIC annual statement instructions and SSAP No. 61, *Life, Deposit-Type and Accident and Health Reinsurance*, BCN accounts for its transactions with the Stop-Loss Trust as ceded reinsurance. The Stop-Loss Trust covers risks incurred in excess of a retention amount. BCN is responsible for inpatient facility claims up to \$150,000 per member each calendar year (the deductible) and has an agreement with the Stop-Loss Trust to cover the claims incurred in excess of the deductible. The Stop-Loss Trust also provides insolvency coverage.

Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?
NOT APPLICABLE
- (2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes() No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

(1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes () No (X)

- a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate. NOT APPLICABLE
- b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement? NOT APPLICABLE

(2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

(1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate. \$0

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes () No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? NOT APPLICABLE

B. Uncollectible Reinsurance – NOT APPLICABLE

C. Commutation of Ceded Reinsurance – NOT APPLICABLE

D. Certified Reinsurer Downgraded or Status Subject to Revocation – NOT APPLICABLE

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. BCN estimates accrued redetermination premium adjustments and return premium adjustments for its group health insurance contracts subject to redetermination based on an examination of contract requirements in relation to the rates charged for similarly sized subscriber groups, and the status of past applicable audits.

BCN estimates accrued retrospective premium adjustments for its Medicare Advantage health insurance contracts based on an analysis of Part C member health risk score adjustments submitted to CMS and the Part D risk corridor reconciliation related to the funds received from CMS or the beneficiary.

To the extent that BCN is subject to potential MLR rebates, effective in 2012 under the Public Health Service Act (which was amended by the PPACA annotated in Note 21C, National Health Care Reform, above), any return premium adjustment would be based on the formulas required by law.

B. Accrued redetermination premium adjustments and return premium adjustments, as well as retrospective premiums, are recorded as adjustments to earned premium revenue.

C. The amount of net premiums, written by BCN, that was subject to redetermination or retrospective provisions (including premiums subject to MLR rebates) was \$2,514,458,842 and \$2,454,963,612 for 2012 and 2011, respectively; representing approximately 96.05% and 95.51% of the total net health premiums written for 2012 and 2011, respectively. No other premiums written by BCN were subject to redetermination or retrospective provisions.

D. Medical Loss Ratio Rebates Required Pursuant to the Public Health Service Act

	(1)	(2)	(3)	(4)	(5)
	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
2012					
(7) Medical loss ratio rebates incurred	\$ -	\$ 6,164,903	\$ -	\$ -	\$ 6,164,903
(8) Medical loss ratio rebates paid					-
(9) Medical loss ratio rebates unpaid	-	6,164,903	-	-	6,164,903
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	XXX
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	XXX
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	XXX

BCN did not incur, pay or accrue a 2011 liability for MLR rebates required pursuant to the Public Health Service Act.

25. Change in Incurred Claims and Claim Adjustment Expenses –

Liabilities for unpaid claims and claims adjustment expenses as of December 31, 2011 were \$267,105,091. As of December 31, 2012, \$230,347,161 has been paid for incurred claims and claims adjustment expenses attributable to insured events of prior years. Liabilities for unpaid claims and claims adjustment expenses remaining for prior years are now estimated to be \$8,345,544 as a result of a re-estimation of unpaid claims on comprehensive and medicare lines of business. Therefore, there has been a \$36,814,073 favorable prior year development based on the analysis of recent loss development trends from December 31, 2011 to December 31, 2012.

26. Inter-company Pooling Arrangements – NOT APPLICABLE

27. Structured Settlements – NOT APPLICABLE

28. Health Care Receivables —

A. Pharmaceutical Rebate Receivables

Health care receivables include pharmacy rebates BCN receives from a third-party vendor. BCN estimates pharmacy rebate receivables based on historical rebate experience and membership. Activity for the most recent three years is summarized as follows:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2012	\$ 8,192,329	\$ -	\$ -	\$ -	\$ -
9/30/2012	5,776,621	6,846,255	161,297	-	-
6/30/2012	5,587,194	6,796,165	1,551,141	1,858,715	-
3/31/2012	5,504,750	6,515,963	3,872,830	2,604,949	8,882
12/31/2011	5,444,410	6,488,543	3,424,109	3,087,544	(12,562)
9/30/2011	5,401,604	6,031,368	3,931,651	2,254,036	-
6/30/2011	4,479,637	5,785,608	2,920,899	2,937,817	44,802
3/31/2011	4,001,279	5,583,569	2,302,812	3,429,469	(4,115)
12/31/2010	3,541,990	5,053,516	3,019,753	2,137,196	62,603
9/30/2010	4,091,265	4,829,699	2,375,033	2,558,010	11,785
6/30/2010	4,663,839	4,365,866	2,780,255	1,696,017	7,041
3/31/2010	4,819,923	4,216,009	1,986,578	2,242,808	48,379

B. Risk Sharing Receivables

BCN estimates risk sharing receivables based on historical claims experience modified for current trends and benefits as provided for in the risk sharing agreement. As of December 31, 2012, 2011, and 2010, BCN had risk sharing receivables of \$4,750,000, \$4,750,000, and \$4,750,000, respectively. Risk sharing receivables for the years ended December 31, 2012, 2011, and 2010 were not offset by any risk sharing payables. Details of the balances for the most recent three years are summarized as follows:

Calendar Year	Evaluation Period Year Ending	Risk Sharing Receivable as Estimated in the Prior Year	Risk Sharing Receivable as Estimated in the Current Year	Risk Sharing Receivable Billed	Risk Sharing Receivable Not Yet Billed	Actual Risk Sharing Amounts Received in Year Billed	Actual Risk Sharing Amounts Received First Year Subsequent	Actual Risk Sharing Amounts Received Second Year Subsequent	Actual Risk Sharing Amounts Received Other
2012	2012	\$4,750,000	\$4,750,000	\$9,500,000	\$ -	\$9,500,000	\$ -	\$ -	\$ -
	2013	XXX	\$4,750,000	XXX	\$4,750,000	XXX	XXX	XXX	XXX
2011	2011	\$4,750,000	\$4,750,000	\$9,500,000	\$ -	\$9,500,000	\$ -	\$ -	\$ -
	2012	XXX	\$4,750,000	XXX	\$4,750,000	XXX	XXX	XXX	XXX
2010	2010	\$4,750,000	\$4,750,000	\$9,500,000	\$ -	\$9,500,000	\$ -	\$ -	\$ -
	2011	XXX	\$4,750,000	XXX	\$4,750,000	XXX	XXX	XXX	XXX

29. Participating Policies – NOT APPLICABLE

30. Premium Deficiency Reserves – NOT APPLICABLE

31. Anticipated Salvage and Subrogation – NOT APPLICABLE

Blue Care Network of Michigan
GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES - GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] N/A []

1.3

State regulating? Michigan

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [X] No []

2.2

If yes, date of change: 10/24/2012

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2010

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2010

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/26/2012

3.4

By what department or departments?
Department of Licensing and Regulatory Affairs - Office of Financial and Insurance Regulation

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes [] No [] N/A [X]

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [] No [] N/A [X]

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11

sales of new business?

Yes [] No [X]

4.12

renewals?

Yes [] No [X]

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes [X] No []

4.22

renewals?

Yes [X] No []

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]

5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Co. Code	3 State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]

7.2

If yes,

7.21

State the percentage of foreign control

.....%

7.22

State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]

8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Deloitte & Touche LLP Suite 3900 200 Renaissance Center Detroit, Michigan 48243

10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes [] No [X]

10.2

If the response to 10.1 is yes, provide information related to this exemption:

10.3

Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?

Yes [] No [X]

10.4

If the response to 10.3 is yes, provide information related to this exemption:

10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes [X] No [] N/A []

10.6

If the answer to 10.5 is no or n/a, please explain.

11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Erika Monroe, ASA MAAA Director of Actuarial Services, Blue Care Network of Michigan 20500 Civic Center Dr MC C410 Southfield, Michigan 48076

GENERAL INTERROGATORIES

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]

12.11 Name of real estate holding company

12.12 Number of parcels involved

12.13 Total book/adjusted carrying value

12.2 If yes, provide explanation.

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [X] No []

14.21 If the response to 14.2 is yes, provide information related to amendment(s).

The code of ethics policy was revised for definitions and clarity related to conflicts of interest, code of conduct, and fraud, waste and abuse.

Also a policy statement was added that the company will comply with Health Care Reform regulations as they become effective.

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1	2	3	4
American Bankers Association (ABA) Routing Number	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount

PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No []

17. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No []

18. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

PART 1 - COMMON INTERROGATORIES - FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers \$.....0

20.12 To stockholders not officers \$.....0

20.13 Trustees, supreme or grand (Fraternal only) \$.....0

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers \$.....0

20.22 To stockholders not officers \$.....0

20.23 Trustees, supreme or grand (Fraternal only) \$.....0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others

21.22 Borrowed from others

21.23 Leased from others

21.24 Other

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [X] No []

22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment \$.....0

22.22 Amount paid as expenses \$.....8,126,295

22.23 Other amounts paid \$.....0

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....50,137,586

PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.03)? Yes [X] No []

PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.02 If no, give full and complete information relating thereto.

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided).

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes []No []N/A [X]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs.

.....

24.06 If answer to 24.04 is no, report amount of collateral for other programs.

.....

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes []No []N/A [X]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes []No []N/A [X]

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?

Yes []No []N/A [X]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.

.....

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.

.....

24.103 Total payable for securities lending reported on the liability page.

.....

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03)

Yes [X]No []

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21 Subject to repurchase agreements

\$.....0

25.22 Subject to reverse repurchase agreements

\$.....0

25.23 Subject to dollar repurchase agreements

\$.....0

25.24 Subject to reverse dollar repurchase agreements

\$.....0

25.25 Pledged as collateral

\$.....134,698,612

25.26 Placed under option agreements

\$.....0

25.27 Letter stock or securities restricted as to sale

\$.....6,250,000

25.28 On deposit with state or other regulatory body

\$.....1,000,000

25.29 Other

\$.....114,752,328

25.3 For category (25.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
Restricted as to sale	Federal Home Loan Bank of Indianapolis Common Stock	6,250,000

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes []No [X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes []No []N/A [X]

If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes []No [X]

27.2 If yes, state the amount thereof at December 31 of the current year:

.....

28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X]No []

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
State Street Bank and Trust Company	801 Pennsylvania, Kansas City, MO 64105
Fidelity Investments Institutional Operations Co.	100 Magellan Way KW2B Covington, KY 41015
Federal Home Loan Bank of Indianapolis	8250 Woodfield Crossing Blvd. Indianapolis, IN 46240

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes []No [X]

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
	Blue Cross Blue Shield of Michigan	600 E. Lafayette Blvd. Detroit, MI 48226
105377	Loomis Sayles	One Financial Center, Boston, MA 02111

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes []No [X]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj. Carrying Value
00769G 77 4	Advisors Inner Circle	5,973,770
29.2999. TOTAL		5,973,770

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from the above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	4 Date of Valuation
Advisors Inner Circle	GSMS 2007- GG10 AM	246,717	12/31/2012

PART 1 - COMMON INTERROGATORIES - INVESTMENT

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	.....1,314,099,467	.....1,338,277,485	.....24,178,018
30.2 Preferred stocks.....	.....436,100	.....437,060	.....960
30.3 Totals.....	.....1,314,535,567	.....1,338,714,545	.....24,178,978

30.4 Describe the sources or methods utilized in determining the fair values:
Securities Valuation Office of the NAIC and State Street Bank are the sources for fair values.

- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes [X]No []
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes [X]No []
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.

- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [X]No []
- 32.2 If no, list exceptions:

PART 1 - COMMON INTERROGATORIES - OTHER

- 33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?

\$.....836,450
- 33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Amercia's Health Insurance Plans	278,959
Blue Cross Blue Shield Association	509,652

- 34.1 Amount of payments for legal expenses, if any?

\$.....871
- 34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Willingham & Cote PC	871

- 35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?

\$.....0
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

- 1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [X] No []
- 1.2

If yes, indicate premium earned on U.S. business only

\$.....20,373,124
- 1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$.....0

1.31

Reason for excluding

- 1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$.....0
- 1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$.....15,574,627

- 1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$.....20,193,393

1.62

Total incurred claims

\$.....15,443,055

1.63

Number of covered lives

.....9,239

All years prior to most current three years:

1.64

Total premium earned

\$.....179,731

1.65

Total incurred claims

\$.....131,572

1.66

Number of covered lives

.....77
- 1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$.....0

1.72

Total incurred claims

\$.....0

1.73

Number of covered lives

.....0

All years prior to most current three years:

1.74

Total premium earned

\$.....0

1.75

Total incurred claims

\$.....0

1.76

Number of covered lives

.....0

2.

Health test:

	1	2
	Current Year	Prior Year
2.1	Premium Numerator.....	.....2,617,971,837
2.2	Premium Denominator.....	.....2,617,971,837
2.3	Premium Ratio (2.1/2.2).....	.....100.0
2.4	Reserve Numerator.....	.....327,722,588
2.5	Reserve Denominator.....	.....327,722,588
2.6	Reserve Ratio (2.4/2.5).....	.....100.0

- 3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits?

Yes [] No [X]
- 3.2

If yes, give particulars:

- 4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []
- 4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No [X]
- 5.1

Does the reporting entity have stop-loss reinsurance?

Yes [] No [X]

- 5.2

If no, explain:

Blue Care Network of Michigan participates in the BCN Stop-Loss & Casualty Self-Insurance Trust. Expiration date of 12/31/2012.

Unlimited inpatient facility coverage with a deductible of \$150,000. BCN accounts for its activity with the Trust as if it were reinsurance.

- 5.3

Maximum retained risk (see instructions):

5.31

Comprehensive medical

\$.....150,000

5.32

Medical only

\$.....0

5.33

Medicare supplement

\$.....0

5.34

Dental and vision

\$.....0

5.35

Other limited benefit plan

\$.....0

5.36

Other

\$.....0

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Hold harmless provisions are included in contracts with providers. Stop-loss coverage through an affiliate which includes an insolvency clause.

In addition, BCN holds a State mandated cash deposit and BCN members have conversion rights to BCBSM coverage.

- 7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes [X] No []
- 7.2

If no, give details:

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

.....33,607

8.2

Number of providers at end of reporting year

.....35,887

- 9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]
- 9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

.....

9.22

Business with rate guarantees over 36 months

.....

- 10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts?

Yes [X] No []

- 10.2

If yes:

10.21

Maximum amount payable bonuses

\$.....67,944,345

10.22

Amount actually paid for year bonuses

\$.....59,482,049

10.23

Maximum amount payable withholds

\$.....8,867,204

10.24

Amount actually paid for year withholds

\$.....9,753,905

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

11.1

Is the reporting entity organized as:

11.12

A Medical Group/Staff Model,

Yes []No [X]

11.13

An Individual Practice Association (IPA), or

Yes [X]No []

11.14

A Mixed Model (combination of above)?

Yes []No [X]

11.2

Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X]No []

11.3

If yes, show the name of the state requiring such net worth.

Michigan

11.4

If yes, show the amount required.

\$.....106,126,229

11.5

Is this amount included as part of a contingency reserve in stockholder's equity?

Yes []No [X]

11.6

If the amount is calculated, show the calculation:

4% times direct written premium

.04 X \$2,653,155,733 = \$106,126,229

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
ALCONA
ALLEGAN
ALPENA
ANTRIM
ARENAC
BARRY
BAY
BENZIE
BERRIEN
BRANCH
CALHOUN
CASS
CHARLEVOIX
CHEBOYGAN
CLARE
CLINTON
CRAWFORD
EATON
EMMET
GENESEE
GLADWIN
GRAND TRAVERSE
GRATIOT
HILLSDALE
HOUGHTON
HURON
INGHAM
IONIA
IOSCO
ISABELLA
JACKSON
KALAMAZOO
KALKASKA
KENT
LAKE
LAPEER
LEELANAU
LIVINGSTON
MACKINAC
MACOMB
MANISTEE
MARQUETTE
MASON
MECOSTA
MIDLAND
MISSAUKEE
MONROE
MONTCALM
MONTMORENCY
MUSKEGON
NEWAYGO
OAKLAND
OCEANA
OGEMAW
OSCEOLA
OSCODA
OTSEGO
OTTAWA
PRESQUE ISLE
ROSCOMMON
SAGINAW
SANILAC
SHIAWASSEE
ST. CLAIR
ST. JOSEPH
TUSCOLA
VAN BUREN
WASHTENAW
WAYNE
WEXFORD

- 13.1 Do you act as a custodian for health savings account?

Yes []No [X]
- 13.2 If yes, please provide the amount of custodial funds held as of the reporting date.

.....
- 13.3 Do you act as an administrator for health savings accounts?

Yes []No [X]
- 13.4 If yes, please provide the balance of the funds administered as of the reporting date.

.....

Blue Care Network of Michigan
FIVE-YEAR HISTORICAL DATA

	1 2012	2 2011	3 2010	4 2009	5 2008
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28).....	1,567,871,484	1,290,207,099	1,028,738,856	884,963,435	841,062,623
2. Total liabilities (Page 3, Line 24).....	675,341,387	581,628,546	498,178,626	468,352,202	504,322,800
3. Statutory surplus.....	106,126,229	104,234,272	94,132,475	89,421,553	86,006,399
4. Total capital and surplus (Page 3, Line 33).....	892,530,097	708,578,553	530,560,230	416,611,233	336,739,823
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	2,632,753,502	2,573,245,997	2,330,659,145	2,208,872,196	2,141,451,384
6. Total medical and hospital expenses (Line 18).....	2,185,929,754	2,189,392,163	2,017,463,721	1,941,215,059	1,847,780,998
7. Claims adjustment expenses (Line 20).....	109,409,055	102,265,297	94,853,962	78,639,623	76,492,030
8. Total administrative expenses (Line 21).....	201,706,943	140,079,837	138,923,531	154,592,002	164,185,796
9. Net underwriting gain (loss) (Line 24).....	137,977,750	139,238,700	79,417,931	34,425,512	52,992,560
10. Net investment gain (loss) (Line 27).....	30,337,970	24,871,530	25,709,815	36,906,011	32,782,116
11. Total other income (Lines 28 plus 29).....	(373,154)	(194,749)	(933,794)	(8,736,640)	6,974
12. Net income or (loss) (Line 32).....	167,214,162	163,466,422	103,921,776	62,769,309	85,590,267
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	166,936,238	162,047,952	123,384,785	(51,394,350)	38,366,196
Risk-Based Capital Analysis					
14. Total adjusted capital.....	892,530,097	708,578,553	530,560,230	416,611,233	336,739,823
15. Authorized control level risk-based capital.....	86,863,215	84,025,516	77,546,254	73,389,221	68,061,313
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7).....	544,596	569,229	532,705	525,226	554,666
17. Total member months (Column 6, Line 7).....	6,503,819	6,692,695	6,289,625	6,367,506	6,700,008
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19).	83.6	85.1	86.6	87.7	86.2
20. Cost containment expenses.....	2.0	1.8	1.7	2.3	2.4
21. Other claims adjustment expenses.....	2.2	2.2	2.4	1.3	1.2
22. Total underwriting deductions (Line 23).....	95.4	94.6	96.6	98.2	97.4
23. Total underwriting gain (loss) (Line 24).....	5.3	5.4	3.4	1.6	2.5
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5).....	280,369,331	280,643,261	276,684,935	311,380,433	317,322,851
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	316,875,694	309,600,081	288,510,288	321,276,414	342,496,829
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....	14,785,622	11,783,121	10,123,752	8,813,502	7,467,049
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....	114,752,328	106,164,483	91,262,260	81,070,778	72,830,243
32. Total of above Lines 26 to 31.....	129,537,950	117,947,604	101,386,012	89,884,280	80,297,292
33. Total investment in parent included in Lines 26 to 31 above.....					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [] No []

If no, please explain:

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

			1	Direct Business Only							
			2	3	4	5	6	7	8	9	
State, Etc.			Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama.....	AL	N							0	
2.	Alaska.....	AK	N							0	
3.	Arizona.....	AZ	N							0	
4.	Arkansas.....	AR	N							0	
5.	California.....	CA	N							0	
6.	Colorado.....	CO	N							0	
7.	Connecticut.....	CT	N							0	
8.	Delaware.....	DE	N							0	
9.	District of Columbia.....	DC	N							0	
10.	Florida.....	FL	N							0	
11.	Georgia.....	GA	N							0	
12.	Hawaii.....	HI	N							0	
13.	Idaho.....	ID	N							0	
14.	Illinois.....	IL	N							0	
15.	Indiana.....	IN	N							0	
16.	Iowa.....	IA	N							0	
17.	Kansas.....	KS	N							0	
18.	Kentucky.....	KY	N							0	
19.	Louisiana.....	LA	N							0	
20.	Maine.....	ME	N							0	
21.	Maryland.....	MD	N							0	
22.	Massachusetts.....	MA	N							0	
23.	Michigan.....	MI	L	2,019,073,427	541,581,361		88,443,834			2,649,098,622	
24.	Minnesota.....	MN	N							0	
25.	Mississippi.....	MS	N							0	
26.	Missouri.....	MO	N							0	
27.	Montana.....	MT	N							0	
28.	Nebraska.....	NE	N							0	
29.	Nevada.....	NV	N							0	
30.	New Hampshire.....	NH	N							0	
31.	New Jersey.....	NJ	N							0	
32.	New Mexico.....	NM	N							0	
33.	New York.....	NY	N							0	
34.	North Carolina.....	NC	N							0	
35.	North Dakota.....	ND	N							0	
36.	Ohio.....	OH	N							0	
37.	Oklahoma.....	OK	N							0	
38.	Oregon.....	OR	N							0	
39.	Pennsylvania.....	PA	N							0	
40.	Rhode Island.....	RI	N							0	
41.	South Carolina.....	SC	N							0	
42.	South Dakota.....	SD	N							0	
43.	Tennessee.....	TN	N							0	
44.	Texas.....	TX	N							0	
45.	Utah.....	UT	N							0	
46.	Vermont.....	VT	N							0	
47.	Virginia.....	VA	N							0	
48.	Washington.....	WA	N							0	
49.	West Virginia.....	WV	N							0	
50.	Wisconsin.....	WI	N							0	
51.	Wyoming.....	WY	N							0	
52.	American Samoa.....	AS	N							0	
53.	Guam.....	GU	N							0	
54.	Puerto Rico.....	PR	N							0	
55.	U.S. Virgin Islands.....	VI	N							0	
56.	Northern Mariana Islands.....	MP	N							0	
57.	Canada.....	CAN	N							0	
58.	Aggregate Other alien.....	OT	XXX	0	0	0	0	0	0	0	0
59.	Subtotal.....	XXX		2,019,073,427	541,581,361	0	88,443,834	0	0	2,649,098,622	0
60.	Reporting entity contributions for Employee Benefit Plans.....	XXX		4,057,111						4,057,111	
61.	Total (Direct Business).....	(a)	1	2,023,130,538	541,581,361	0	88,443,834	0	0	2,653,155,733	0

DETAILS OF WRITE-INS

58001. ....								.0	
58002. ....								.0	
58003. ....								.0	
58998. Summary of remaining write-ins for line 58.....		.0	.0	.0	.0	.0	.0	.0	.0
58999. Total (Lines 58001 thru 58003 + 58998).....		.0	.0	.0	.0	.0	.0	.0	.0

(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer; (E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc.
By Situs of Contract

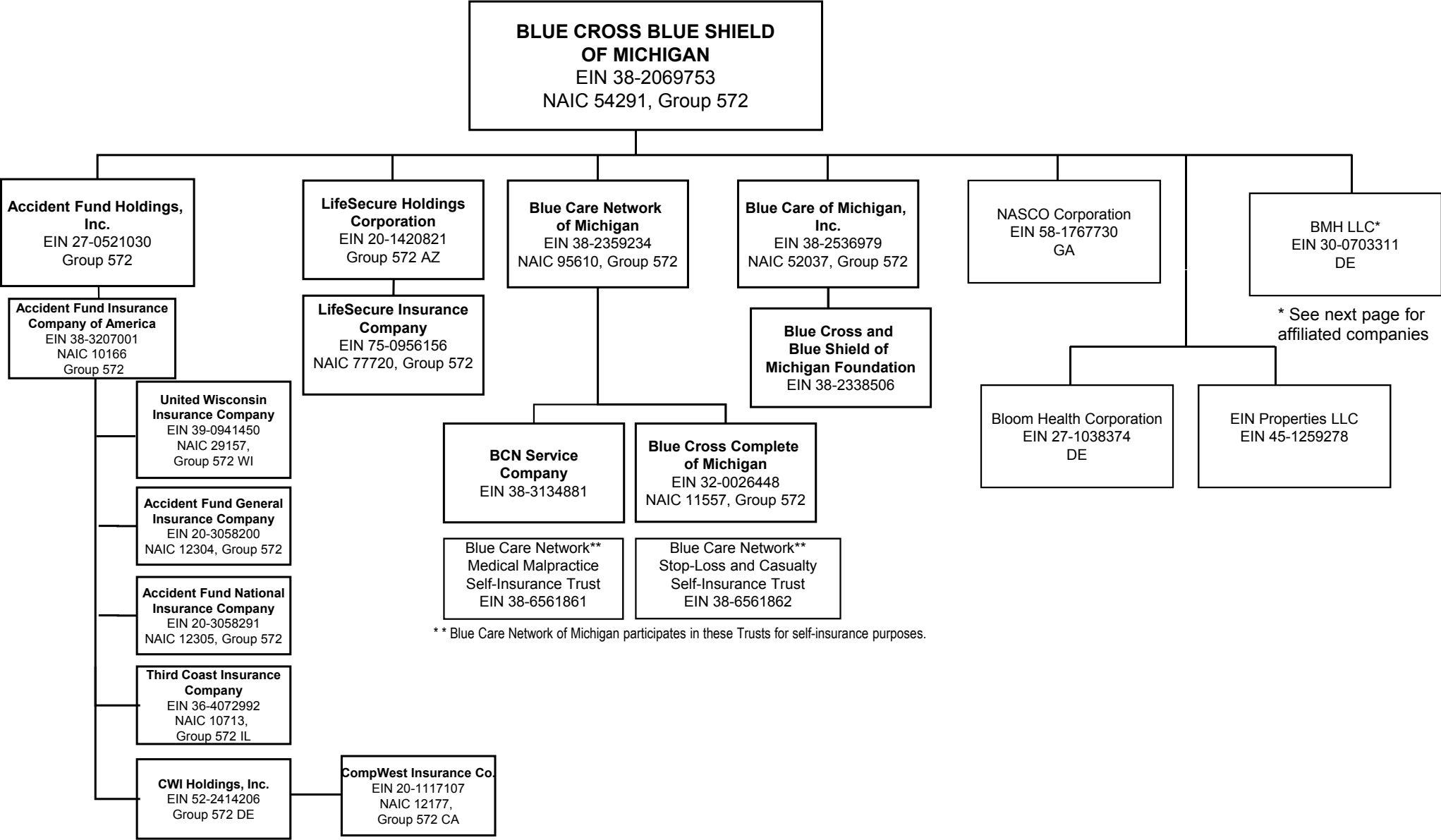
(a) Insert the number of L responses except for Canada and Other Alien.



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SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

SUBSIDIARY & AFFILIATE ORGANIZATION CHART

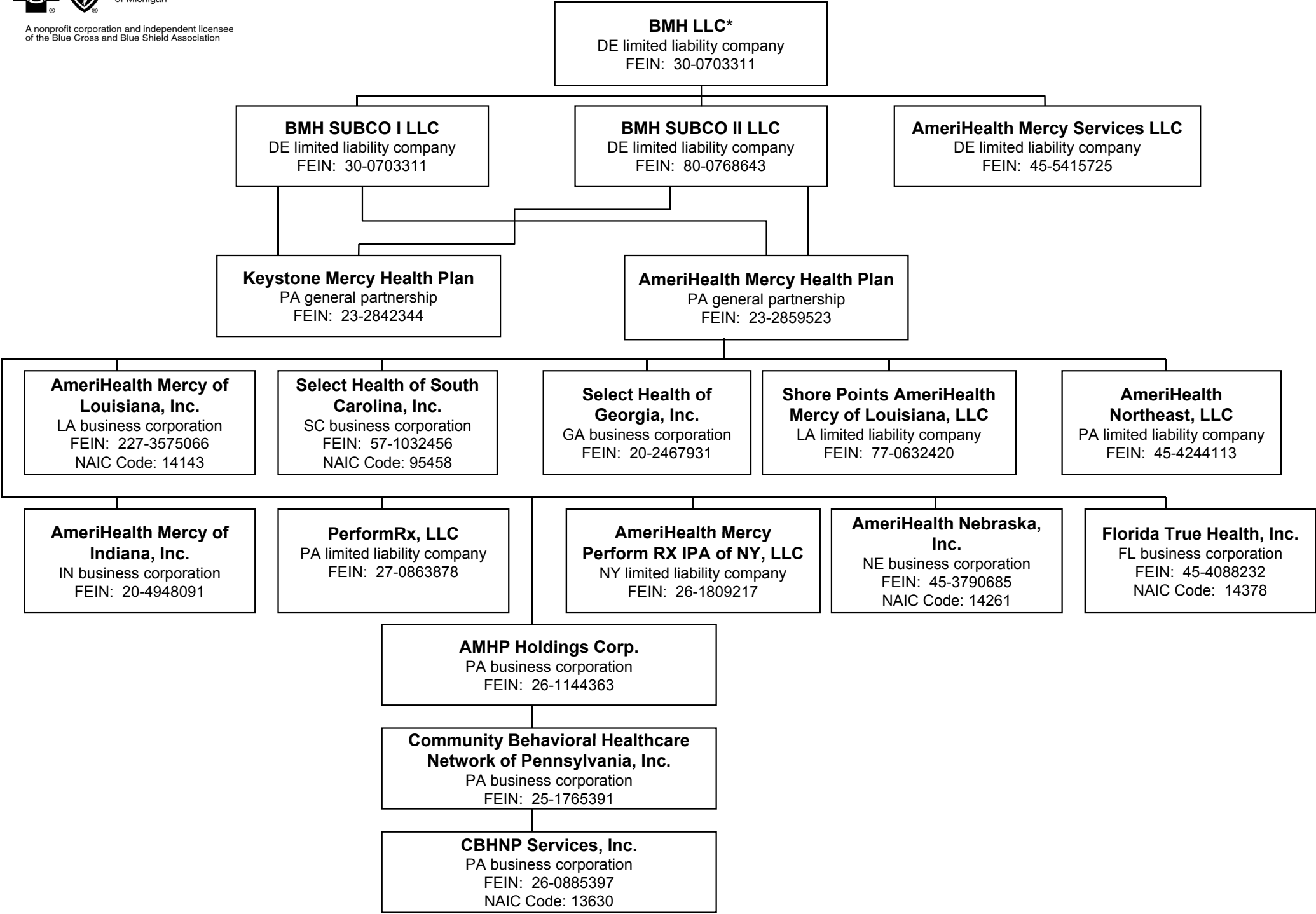




Blue Cross
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SUBSIDIARY & AFFILIATE ORGANIZATION CHART



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